

## Message Text

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PAGE 01 STATE 068556  
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TO AMEMBASSY LIMA IMMEDIATE  
INFO AMEMBASSY SANTIAGO  
AMEMBASSY LA PAZ  
AMEMBASSY QUITO  
AMEMBASSY CARACAS

C O N F I D E N T I A L STATE 068556

E.O. 11652:GDS

TAGS:PPDC, PE, CI, EC, BL, EFIN, PBOR

SUBJECT: PRESIDENTIAL LETTER

FOLLOWING IS TEXT OF LETTER OF MARCH 1 FROM PRESIDENT  
MORALES BERMUDEZ TO PRESIDENT CARTER, DELIVERED TO ARA BY  
PERUVIAN AMBASSADOR MARCH 15.

QUOTE: DEAR MR. PRESIDENT:

I AM PLEASED TO ACKNOWLEDGE RECEIPT OF YOUR KIND LETTER  
OF FEBRUARY SEVENTH AND TO THANK YOU FOR THE GOOD WISHES YOU  
HAVE SENT TO THE PEOPLE AND THE GOVERNMENT OF PERU.

WITH REFERENCE TO MY GOVERNMENT'S EFFORTS TO SURMOUNT THE  
DIFFICULTIES FACING THE NATIONAL ECONOMY, I FIND IT NECES-  
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SARY, IN PARTICULAR, TO EXPRESS TO YOU BY MEANS OF THIS  
CORDIAL AND FRANK EXCHANGE OF LETTERS MY DEEP CONCERN ABOUT  
THE INTERNATIONAL MONETARY FUND POLICY. THE CRITERIA WHICH  
GUIDES ITS POLICY WITH RESPECT TO THE MEASURE TO BE TAKEN  
TO RESOLVE THE FINANCIAL SITUATION IN MY COUNTRY SEEM TO BE  
BASED SOLELY ON CONSIDERATIONS OF A TECHNICAL NATURE AS IF  
THE EVOLUTION OF THE PERUVIAN ECONOMY IS DONE IN A VACUUM

WITHOUT DUE REGARD TO THE SOCIAL AND POLITICAL IMPLICATIONS  
OF EVERY ACTION.

THE FACT SHOULD NOT BE DISREGARDED THAT THE ECONOMIC  
PROGRAM ADOPTED BY THE PERUVIAN GOVERNMENT HAS INTRODUCED  
ADJUSTMENTS OF SUCH NATURE AND SCOPE THAT IT WOULD NOT BE  
FEASIBLE TO ESTABLISH NEW MEASURES OF AUSTERITY WITHOUT  
INCURRING THE GRAVE AND INEVITABLE HAZARD OF PROVOKING  
SHARP LABOR AND SOCIAL CONFLICTS SUCH AS ARE EVEN NOW  
EVOLVING IN THE LOWER INCOME SECTORS. THIS WOULD ALTER  
THE CLIMATE REQUIRED FOR A BETTER EXECUTION OF THE PROGRAM  
FOR DEMOCRATIC INSTITUTIONALIZATION WHICH MUST TAKE PLACE  
IN PERU IN ACCORDANCE WITH AN IRREVERSIBLE DECISION OF THE  
REVOLUTIONARY GOVERNMENT OF THE ARMED FORCES.

IN FACT, IT IS NOT POSSIBLE NOW TO GO ANY FURTHER UNDER  
PENALTY OF RISKING A SITUATION OF UNFORESEEN CONSEQUENCES  
THAT MIGHT INFRINGE UPON HUMAN RIGHTS FOR THE SAKE OF  
PREVENTING PUBLIC DISORDERS CAUSED BY THE APPLICATION OF  
NEW MEASURES OF AUSTERITY WHICH THE PERUVIAN PEOPLE WOULD  
NOT ABIDE BY. I FEEL THEREFORE DEEPLY WORRIED, AND I AM  
SURE, MR. PRESIDENT, THAT YOU WILL BE ABLE TO UNDERSTAND  
THE INTEREST AND THE RESPONSIBILITY OF MY GOVERNMENT IN  
AVOIDING SITUATIONS SUCH AS THE ONE I HAVE DESCRIBED.

WITHIN THIS CONTEXT, I CANNOT LEAVE UNEXPRESSED MY  
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APPRECIATION FOR YOUR KIND OFFER TO ACCELERATE THE EXTEN-  
SION OF NEW SOURCES OF ECONOMIC COOPERATION TO MY COUNTRY,  
SPECIALLY THE ENLARGEMENT OF CREDIT FOR FOOD  
AID UNDER PUBLIC LAW 480 AND ALSO OF CREDIT FACILITIES  
FROM THE COMMODITY CREDIT CORPORATION FOR THE IMPORTATION  
OF FOOD. BOTH OF THESE SOURCES WILL CONTRIBUTE TO THE  
ALLEVIATION OF THE DELICATE STATE OF THE FOOD SUPPLY AT A  
TIME WHEN THE PRESSURE OF THE CRISIS IS HAVING SUCH AN  
ADVERSE EFFECT ON THE PURCHASING POWER OF THE POPULATION.  
IN THIS REGARD, I ALSO WISH TO EXPRESS TO YOU MY APPRECI-  
ATION FOR THE STEPS TAKEN TO FACILITATE FINANCING FROM THE  
EXPORT-IMPORT BANK WHICH I AM SURE WILL ADD TO THE  
STRENGTHENING OF CONFIDENCE ON THE PART OF THE INTER-  
NATIONAL BANKING COMMUNITY.

HOWEVER, I BELIEVE IT IS FUNDAMENTAL TO KEEP IN MIND THE  
DAMAGING EFFECTS CAUSED IN COUNTRIES LIKE MINE BY THE  
DECLINE IN EXPORT PRICES OF OUR MAJOR COMMODITIES AT A  
MOMENT WHEN REVENUES FROM THESE PRODUCTS WERE EXPECTED  
TO FINANCE NOT ONLY THE IMPORT NEEDS DEMANDED FOR DEVELOP-  
MENT BUT ALSO THE SERVICE AND REPAYMENT OF OUR PUBLIC EX-  
TERNAL DEBT WHICH HAS INCREASED DUE TO ADVERSE CONDITIONS

IN THE TERMS OF TRADE. EQUALLY HARMFUL TO OUR ECONOMY IS THE APPLICATION OF TARIFF DUTIES FOR COPPER AND ZINC, CAUSES CONCERN BECAUSE OF THE POSSIBILITY OF ITS SPREADING

INTO A CURRENT OF PROTECTIONISM, THE CONSEQUENCES OF WHICH COULD AGGRAVATE EVEN FURTHER THE SITUATION IN PERU AND OTHER DEVELOPING COUNTRIES.

THE POSITIVE EFFECTS ATTAINED BY THE TWO PERUVIAN ECONOMIC MISSIONS IN DEALING WITH OUR PRINCIPAL PRIVATE DEBTORS IN THE UNITED STATES, EUROPE, AND JAPAN WILL ALLOW US TO TAKE FIRMER STEPS TOWARDS COMPLETE ECONOMIC RECOVERY.

IN YOUR KIND LETTER YOU REFER TO THE "CONFLICTING TER-  
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RITORIAL ASPIRATIONS IN THE ANDES", THUS CONNECTING TWO SITUATIONS WHICH ARE DIFFERENT BY THEIR OWN NATURE. THIS DIFFERENCE DETERMINES THE ROLE PERU PLAYS IN EACH CASE AND, CONSEQUENTLY, THE SPECIFIC TREATMENT REQUIRED FOR EACH.

WITH RESPECT TO THE MATTER OF ACCESS TO THE SEA FOR BOLIVIA, MY GOVERNMENT VALUES IN ALL ITS SIGNIFICANCE YOUR REITERATED OFFER OF SUPPORTING THE INDESPENSABLE PARTICIPATION OF INTERNATIONAL FINANCIAL INSTITUTIONS AS IT WAS ENVISAGED IN THE PERUVIAN PROPOSAL OF NOVEMBER 18, 1976, AIMED AT BRINGING ABOUT SOLUTIONS OF PEACE AND INTEGRATION WHICH WOULD ALLOW AS WELL THE DEVELOPMENT OF ALL THE AREAS INVOLVED.

ON THAT BASIS AND TAKING INTO ACCOUNT THE IMPORTANT AND FAR-REACHING DECLARATIONS OF BOLIVIA'S FOREIGN MINISTER ON FEBRUARY 14, 1978, MY GOVERNMENT WILL STUDY WITH GREAT INTEREST THE POSSIBILITIES OF ARRANGING AT THE PROPER TIME AND WITHIN THE FRAMEWORK OF THE 1929 TREATY, THE MOST APPROPRIATE STEPS FOR OBTAINING A SOLUTION WHICH WILL NOT ONLY PROTECT THE RIGHTS AND SENTIMENTS OF THE THREE COUNTRIES INVOLVED BUT WILL EMBRACE THEIR INTERESTS WITH HARMONY AND A VISION OF THE FUTURE.

IN THE CASE OF ECUADOR, THE POSITION ADOPTED IN A RECENT SPEECH BY ITS FOREIGN MINISTER CONSTITUTES A SERIOUS OBSTACLE TO THE PROCESS OF RELAXATION THAT WAS ALREADY IN PROGRESS AND TO THE CONTINUATION OF THE BILATERAL DIALOGUE IN WHICH WE WERE ENGAGED. THESE CONVERSATIONS CAN ONLY DEVELOP WITHIN AN ATMOSPHERE OF FRUITFUL COLLABORATION AND UNDERSTANDING ON THE BASIS OF THE PROTOCOL OF RIO DE JANEIRO OF 1942, IN FORCE, AND THEREFORE THE ONLY FRAME  
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OF POSSIBLE ACCEPTANCE BY PERU, TO WHICH ARGENTINA, BRAZIL, CHILE, AND THE UNITED STATES ARE COMMITTED AS GUARANTORS OF THIS TANGIBLE INSTRUMENT.

AMONG THE VARIOUS FACTORS WHICH MAY HAVE MOTIVATED THE ECUADOREAN ATTITUDE, ONE IS UNDOUBTEDLY THE ALLUSION IN IN LATIN AMERICAN CIRCLES TO THE RIGHTS OF ECUADOR AS AN AMAZONIAN COUNTRY"-WHICH THE GOVERNMENT OF QUITO HAS INTERPRETED AS SUPPORTING ITS UNTENABLE TERRITORIAL CLAIM- AND RELATING THE FUTURE DEVELOPMENT OF LATIN AMERICAN INTEGRATION, IN PARTICULAR THE ANDEAN GROUP, TO QUICK SOLUTIONS TO CERTAIN "PROBLEMS", SUCH AS THE AMAZONIC ASPIRATIONS OF ECUADOR.

I AM VERY CONCERNED, MR. PRESIDENT, ABOUT THIS UNSUITABLE APPROACH WHICH MAY CERTAINLY CREATE SERIOUS OBSTACLES IN THE ANDEAN GROUP PRECISELY WHEN THE EFFORTS OF THE COUNTRIES FROM THE SUBREGION HAVE MADE FEASIBLE THE SURMOUNTING OF DELICATE DISAGREEMENTS AND, BY MEANS OF THE DECLARATION OF WASHINGTON, HAVE ALSO CONSOLIDATED POLITICALLY THE PROCESS OF INTEGRATION ESTABLISHED IN THE CARTAGENA AGREEMENT. IT WAS IN FACT THE DEVELOPMENT OF THIS PROCESS THAT WAS HELPING TO REDUCE STRAINS AMONG NEIGHBORS AND TO ENCOURAGE CONSTRUCTIVE ATTITUDES WHICH WOULD ENABLE THE REASONABLE CHANNELING OF EXCESSIVE NATIONAL ASPIRATIONS.

THE SUGGESTION OF WEAKNESS IN THE ANDEAN GROUP, THE PRINCIPAL FRAMEWORK FOR THE PERUVIAN INITIATIVE TO LIMIT MILITARY PURCHASES WHICH WAS REITERATED BY FOREIGN RELATIONS MINISTER DE LA PUENTE IN RECENT STATEMENTS, WOULD SEEM TO COINCIDE AT A MOST UNTIMELY MOMENT WITH THE DELICATE STATE OF TENSION BETWEEN CHILE AND ARGENTINA AND ALSO WITH THE GROWING ACQUISITION OF WAR MATERIAL BY CHILE AND ECUADOR WHICH CONFIRMS THE CONCERN I ANTICIPATED TO YOU IN MY LETTER OF NOVEMBER 1, 1977.

IN GENERAL, THE LARGE NUMBER OF TOPICS COVERED IN THE  
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POSITIVE DIALOGUE WE ARE MAINTAINING, MR. PRESIDENT, DEMONSTRATES THAT THE REVOLUTIONARY PROJECTIONS OF THE NEW FOREIGN POLICY OF THE UNITED STATES ARE HELPING TO BRING ABOUT IMPORTANT CHANGES IN LATIN AMERICA. IN THIS RESPECT, MY GOVERNMENT FEELS SURE THAT THE ADMINISTRATION OVER WHICH YOU SO ABLY PRESIDE WILL FULLY PONDER THE DEVELOPMENTS IN THE INTERNATIONAL PROCESSES SO THAT THE INTERACTION BETWEEN

THE INTERNAL AND EXTERNAL POLICIES MAY BE ORIENTED TOWARDS  
THE CONSOLIDATION OF PEACE, SECURITY, AND DEVELOPMENT  
OBJECTIVES SHARED BY OUR GOVERNMENTS AND THE CREATION OF  
THE CLIMATE NECESSARY TO LAY PERMANENT FOUNDATIONS FOR AN  
AUTHENTIC LATIN AMERICAN DEMOCRACY.

MY WIFE JOINS ME IN WISHING YOU AND YOUR WIFE ROSSLYNN  
GREAT PERSONAL HAPPINESS.

FRANCISCO MORALES BERMUDEZ CERRUTTI, PRESIDENT OF THE  
REPUBLIC OF PERU. END QUOTE VANCE

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## Message Attributes

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